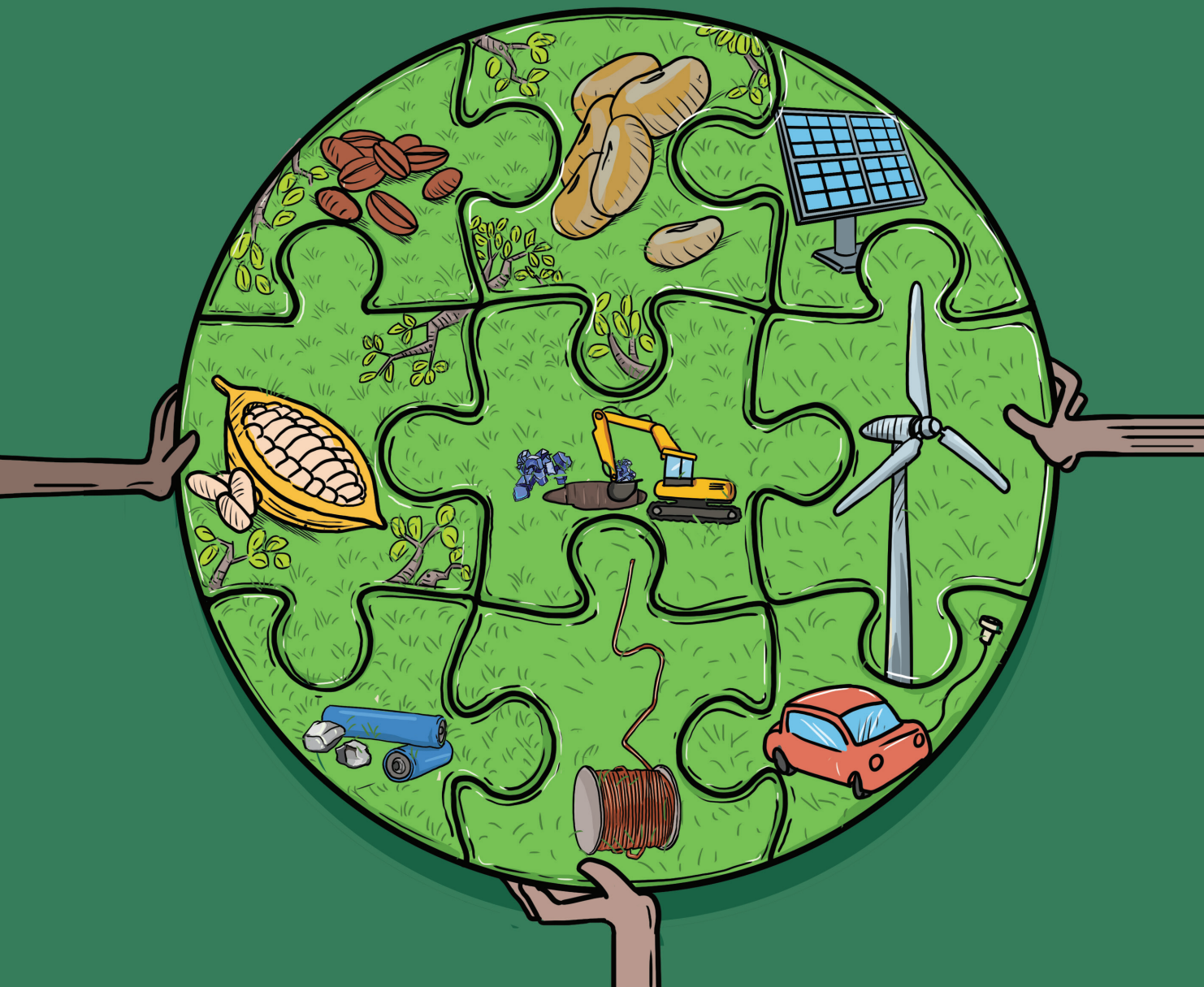




# TOWARDS A NEW GREEN WORLD

Climate, trade and development: Economic  
resilience for the Global South in a  
warming world



**Research direction:** Sunita Narain and Avantika Goswami

**Authors:** Sunita Narain, Avantika Goswami, Trishant Dev, Rudrath Avinashi, Sehr Raheja

**Research support:** Upamanyu Das

**Cover and design:** Ajit Bajaj

**Illustrations:** Ritika Bohra and Yogendra Anand

**Layout:** Shri Krishan

**Production:** Rakesh Shrivastava and Gundhar Das

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**Centre for Science and Environment**

41, Tughlakabad Institutional Area

New Delhi 110 062

Phone: 91-11-40616000

Fax: 91-11-29955879

E-mail: [cse@cseindia.org](mailto:cse@cseindia.org)

Website: [www.cseindia.org](http://www.cseindia.org)

# Contents

## **A TIME OF DISORDER, DISRUPTION AND DISCORD** 4

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### **THE GREAT DISORDER**

|                                                                                |    |
|--------------------------------------------------------------------------------|----|
| Climate change is being discredited with deadly intent                         | 6  |
| Globalisation has not worked for prosperity or planet                          | 8  |
| Consumption drives economics but also emissions                                | 11 |
| Climate impacts add to poverty, migration and insecurity, not just of the poor | 13 |

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### **THE NEW AGENDA**

|                                                                                        |    |
|----------------------------------------------------------------------------------------|----|
| Inclusive and affordable development is key for economic resilience and climate change | 15 |
| Resolve geopolitics of green technology adoption                                       | 19 |
| Reset trade and finance rules for localisation through value addition                  | 21 |

## IT IS A TIME OF GREAT DISORDER, DISRUPTION AND DISCORD.

The question is if from this great churn can the world's poor emerge stronger; more resilient and more secure. We believe it is possible. For this we need an agenda that links the two global super-cycles – the existential crisis of climate change and the increasing poverty and marginalisation of millions and their insecurity.

The opportunity is to build an agenda for economic resilience that will reduce the risk of climate change impact and build livelihoods and wellbeing. It is a co-benefit agenda, which most importantly, reworks the development paradigm so that it is affordable, inclusive and so sustainable.

This is the time when the World Meteorological Organization has reported that carbon dioxide levels in the atmosphere have reached a record high—rising from 420.4 ppm in 2023 to 423.9 ppm (parts per million) in 2024. According to the agency, this signals new threats of rising temperatures and more extreme weather events. Yet, paradoxically, we are witnessing clear signs of reversal in the commitment needed to take urgent climate action. And it is not just the US leading this retreat. There is a broader global hesitancy; countries find it difficult to scale up low-carbon solutions that can drastically cut emissions in their current economic model. So, the question is, what will “win”—the urgency to act in the face of mounting climate threats, or inaction driven by economic interests?

But it is not all bad news. For the first time, globally renewable energy has overtaken coal as the primary source of electricity in the first six months of 2025. In its report: "Global Electricity Mid-Year Insights 2025", energy think tank Ember reports that solar power has recorded rapid growth, doubling over the past three years and adding more electricity than any other source during this period.

More than half of this increase in solar generation came from a single country: China. India also played a significant role. However, the report, in the same breath, highlights that countries are reverting to fossil fuel-based electricity to meet the rising energy demands of artificial intelligence (AI) data centres and intensifying heatwaves. Natural gas-based electricity has increased by 1.6 per cent to reach a record high, led by the US. The ultimate counter-push comes from China, which, despite its renewable energy achievements and substantial underused coal power capacity, is building new coal power plants, adding up to 95 GW of new capacity,

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according to the website CarbonBrief. This is also what we see in India. The question now is: which energy sense will prevail? Will renewable energy continue its surge towards dominance, or will fossil fuels make a comeback?

Another major trend and counter-trend can be seen in the shift towards electric vehicles (EVs). This has the potential to be a gamechanger, as it reduces the carbon intensity of the transport sector. According to the International Energy Agency (IEA), in 2024, some 20 per cent of all new cars sold globally were electric. China led the growth, with electric cars accounting for almost half of the new car sales in the country. EVs are now cost-competitive and offer performance on par with the petrol and diesel car variants. But this transition faces headwinds, more from geopolitics than technology.

In all this, today our world is more insecure and more anxious as each super-cycle of cataclysmic change is feeding the other. We live in an increasingly inequitable world where the rich have gotten richer and the poor poorer. In the past five years, this divide has widened as the Covid pandemic devastated economies, and before they could recover, the wars shaped the present, leaving countries with little financial resources to heal and to grow. This, combined with bad governance, climate change and resource squeeze, is leading to more migration, as desperate people seek new opportunities. All these factors add fuel to the anger and insecurity, which then make democracy prey to hateful and polarised rhetoric in this age of big technology, controlled by new business leaders with superpowers.

The worst outcome of this modern class war is the rejection of ideas. People see knowledge as tainted and compromised and feeding private interests—an outcome of the way we have organised the world's information and business systems. This, then, means that what is in the public interest, like climate change, is also viewed with suspicion and, now with rejection—even in the face of growing disasters and the need for cooperation.

This is why at the beginning of the epoch of climate change, now that the world has moved into a different today, we must plan for a different tomorrow. We cannot be prisoners of yesterday. We must be vanguards of a new dawn; a new promise, but with the reality of the mistakes of our generation. Otherwise, we will squander away coming decades to nothingness—all into a vortex of spiralling climate change impacts. This is what we must change.

# THE GREAT DISORDER

## CLIMATE CHANGE IS BEING DISCREDITED WITH DEADLY INTENT

When US President Donald Trump spoke at the UN General Assembly and said that climate change was a great con, we need to ask who was he addressing. I believe he was speaking directly to the large numbers of ordinary middle- and working-class people, both in the rich world and the to-be-rich world, who believe that they have been cheated and deprived in the globalised economy. In their minds the problem is the “invasion” of immigrants, who they see as taking away livelihoods. It is about governments that are weak and allowing this to happen with impunity. It is then linked to the higher cost of living and





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declining real wages and the cost of green transition. It is a jumble of different issues; not connected. But connected in public discourse.

For instance, investment in windmills or solar infrastructure, which generate cleaner power and at lower cost than conventional systems, are blamed for driving down standards of living. US president is not holding back. We must see his message at the UN as a political effort to turn people towards the “right” and away from governments that believe in social justice and climate action.

But let’s also be clear that there is deep resentment in the western world—which has led the economic growth and was the architect of the free-trade globalisation regime. Trump is taking it all to a boil so that he can bring about changes in the politics of the western world—at least in those few parts of the world that are still committed to the change the world so desperately needs. He wants those governments to fail so that the parties that stand against multilateralism, global solidarity and climate action can win. This is regime change at a scale never seen before. This is the great project.

And it is happening. Europe’s ambitious climate policy is facing headwinds. And even though remarkably, the European Commission has agreed on a huge target to reduce greenhouse gas emissions by 90 per cent by 2040, there is increased resistance to these policies. There is also a growing shift towards parties that eschew climate change. In this way, climate change has become a pawn in this political game, which is driven by hard economic interests in the business of energy and much more.

The intent is to label and dismiss the climate agenda as the work of “radical left loonies”. This means that anyone who believes in the existential crisis caused by climate change, or even the need to clean up pollution from energy systems, is part of this “woke” brigade. It makes the rest of society take sides—and this is what happened during the Covid-19 pandemic or even when the UK voted on whether to leave EU. It makes the issue toxic and makes it about the elite verses the rest. Worse, it demonises science and experts and portrays them as out of touch with the painful realities of ordinary people.

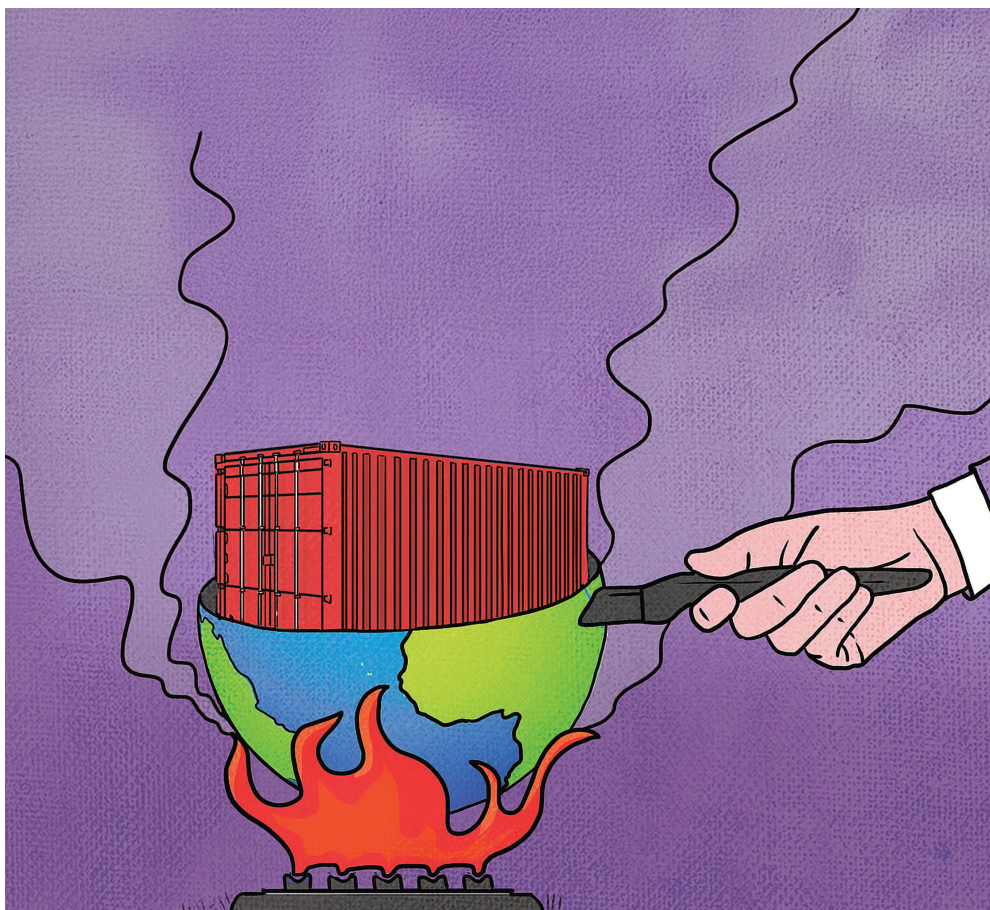
We must fight this branding as it does far huge damage to the fight against climate change. For instance, we know as environmentalists in countries like India how such labelling can undermine our message and work. When we are called anti-development, it detracts from the fact that environment and development are two sides of the same coin.

## GLOBALISATION HAS NOT WORKED FOR PROSPERITY OR PLANET

The global trading system is in disarray. It is impossible to predict the outcome of this reset in the world trade order, which is extremely complex in its interrelationships, and has established itself as the only game in town for any country's economic growth and prosperity. But it is important to take a step back and understand why it came about; what it has done to our world; and what can possibly be the way ahead.

First, let's take a peek into the past. This idea took shape in the early 1990s, when the world (largely the industrialised part) decided to replace the General Agreement on Tariffs and Trade (GATT) with a formal global institution, the World Trade Organization (WTO). The idea was that this would bring world trade to a free zone—trade rules would be applied to all with assured compliance. The world would be one.

There was another objective, which has come to bite the industrialised world today. It was well understood that the cost of manufacturing was high in this world; labour was expensive and the cost of environmental regulations was





prohibitive. This was the time when the already industrialised countries were feeling the pain of local air and water pollution—from acid rain to toxins in rivers. They were facing huge public outrages and so, the classic “not-in-my-backyard” (NIMBY) principle came to be applied in the name of global trade.

Renowned US economist Larry Summers, who in 1992 was with the World Bank and went on to become the president of Harvard University, wrote in an internal memo “there is an economic logic to dump toxic waste in the lowest wage country”. The British magazine, *Economist* put it bluntly—“‘let them eat pollution’ says Summers”. The argument was brilliant; it would be cheaper to do business in the lowest-wage countries with minimal regulations. The richer you are, wrote Summers, the more you want your environment to be clean and so the costs are higher. Public concern about toxic agents that have one-in-a-million chance to cause prostate cancer would be high in countries where people survive to get prostate cancer, as compared to countries where under-five mortality is 200 per 1,000 people. Harsh words, that Summers tried to squirm out of, but what he said was the absolute driver for economic and trade globalisation.

WTO was born in 1995, and in 2001 China joined this body. There has been no looking back since. The fact is, global manufacturing moved lock, stock, and barrel from the industrialised world to countries like China and then to Vietnam, Bangladesh and Cambodia. It has been a game of finding the bottom: as costs of regulation and labour increase, so does the flight of industry in search of new greener pastures. We see this in India as well—as soon as the pollution regulator cracks the whip, industry moves out to ‘dark’ unauthorised settlement areas. In this free-market world, the cost of labour and environment has to be discounted to stay competitive.

In the 25-odd years of this global trade order, there are now new losers and new winners. In the early 1990s, when Arthur Dunkel’s draft proposal for WTO was being pushed, developing world was up in arms. There were protests in India, for instance, against the idea of unfettered global trade, as it would destroy livelihoods of the poorest, particularly farmers who faced the prospect of cheap food being dumped from the industrialised mega farms of the West. By 1999, when the ministers met at Seattle to celebrate the new world order, there was widespread and growing anger against “untamed globalisation”. Protesters also came from the richer world, which was seeing the flight of manufacturing and pain of unemployment.

Climate change has been the other big casualty. The fact is, emissions in the West never really reduced; they just moved to new production sites. This is also where economy, climate change, and politics intersect. When the world moved towards interconnected economies it was believed that it would lead to a prosperous and safer world order; countries would not attack as they would be driven by the self-interest of cooperation. But the real reason for moving the industry was to reduce the costs of labour and environmental safeguards. It was too expensive to manufacture if these costs had to be paid. This meant that production moved and so did emissions. We know that from the carbon dioxide balance sheet of countries as China became the world's manufacturer. After joining WTO, China's share of global CO<sub>2</sub> emissions rose from 5 per cent in 1990 to 21 per cent in 2019.

But all the flaws, faults and failures of this global free trade system were papered over; the winners made sure of this. Western companies moved to lower income countries and made profits; consumers (all of us) were happy because of cheaper goods. In all this, the service and technology sectors boomed; banks and financial markets made money and with poor income distribution policies, disparities sharpened. Now, it is here with a bang. Of course, the global trading system has us all hooked. The low-wage countries have economically benefitted from global trade. In this interconnected world of trade, service and finance, disengagement will come at huge costs.

Now there is a further complication. The global disengagement is also connected to the much needed green transition. The production of all things green is still cheaper in the "other" side of the world, China in particular. China has also invested greatly in the green technology business – the long game has been played with great design and intent. The question is if this will now derail the momentum for a low-carbon economy as what is green is foreign-made and so must be shunned.

## CONSUMPTION DRIVES ECONOMICS BUT ALSO EMISSIONS

The global trade order is built on the premise of the consumption of societies that create markets and economic wealth. It is the sheer size of its consuming classes that puts the US at the lead and gives it the heft to rework tariffs and agreements. The country—home to only 4 per cent of the world’s population—gorges on household goods. According to data, the US accounts for roughly 30 per cent of global household consumption—it consumes double or more of what it produces, and hence faces a trade deficit. But it is also because of this gargantuan demand that countries are queuing up in submission. They desperately need and want a share of the US market—for everything from coffee to clothes to electronics and more.

This scale of consumption of the US is not directly proportional to its economic wealth; it is not necessary that a country would become a US-style gobbler of goods just because it is rich. China, a close second economy and home to 17 per cent of the world’s people, accounts for only 12 per cent of global consumption. Decoding this consumption puzzle is important because this is a determinant of what our future will hold.



The fact is, US-style consumption will not work in a carbon-and resource-constrained world. It is often said that if everybody was to live like an American, the world would need several more planets—and that is true. We also cannot discuss our way out of climate change without confronting the consumption-oriented economic model.

At the same time, it is also clear that economic growth needs consumption of goods: this is what the game is about.

So, what is the way ahead? There are two parts to solving this consumption puzzle. First, and most importantly, focus on increasing the distribution of wealth within a country so that consumption is not about the wealth of a few, but about the well-being of the majority. The fact is, as long as there is money in the hands of the poorest, they will become “consumers” of goods. Second, we need localisation of the economy—in other words, enable local production by the masses, not mass production for the locals (to paraphrase our favourite national hero, Mahatma Gandhi).

This should be the foundation of a modern, self-reliant economy. The more we grow from the bottom up, the more resilient our communities will become and withstand climate change shocks. The question now is whether we can build that new green future—one that sustains local production and livelihoods, but not by consuming the planet.



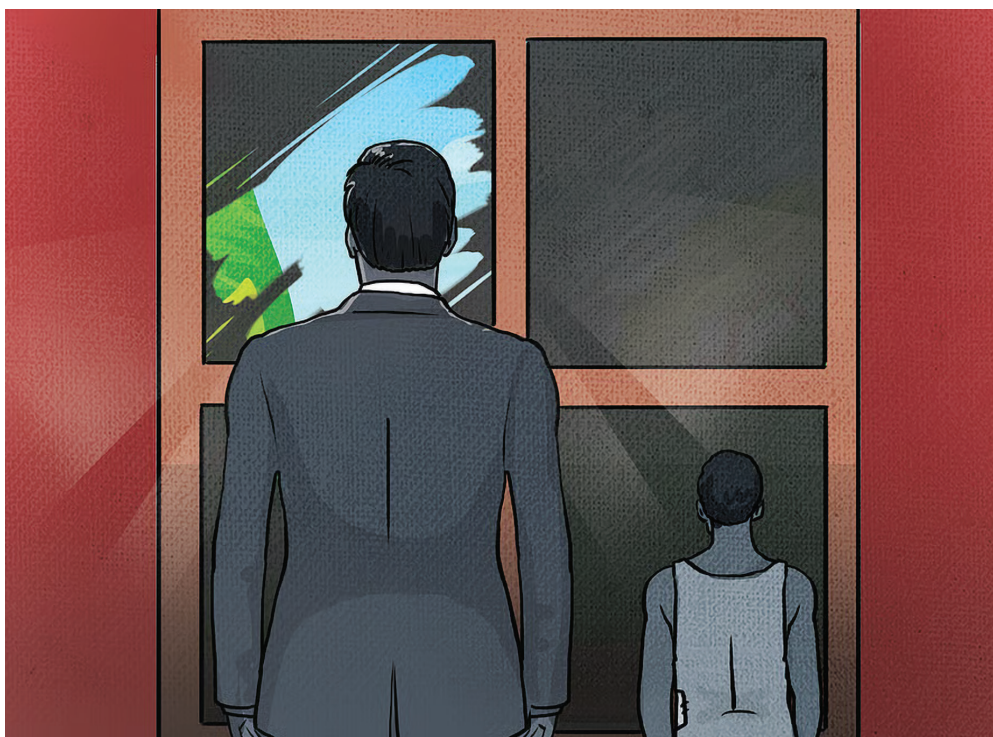
## CLIMATE IMPACTS ADD TO POVERTY, MIGRATION AND INSECURITY, NOT JUST OF THE POOR

We are marking the beginning of the time of climate change—when each day some part of the world is hit by extreme weather events; when a new record of heat or cold stress is made and then broken; when communities already living on the margins of survival are devastated to the point of being unable to recover from the frequent disasters.

This is a different era of our common world. Scientists describe this as the Anthropocene Epoch, which in geological time is defined as the period when human activities have significant impacts on the planet's climate and ecosystems. Everything that we have done for human progress—for increased well-being and wealth generation—has breached national as well as planetary boundaries.

At current rates, the world will run out of the carbon budget — how much it can emit to limit global warming to 1.5°C — by 2030. But there are vast numbers of people who do not have access to basic energy. They need energy for their development<sup>165</sup>. This is why we need cooperation so that future development can be low-carbon for all.

It is clear that increasing numbers of disasters because of growing intensity and frequency of weird and abnormal weather will make the poor, poorer. Their





impoverishment and marginalisation will add to their desperation to move away from their lands and to seek alternative livelihoods. Their only choice will be to migrate — move to the city; move to another country. The double-jeopardy in the interconnected world is the push—lack of options—and the pull—bright lights that suggest a choice to better futures. This will add to the already volatile situation of boat people and migrants at the border walls, making our world insecure and violent.

The “World Migration Report 2024” compiled by the Geneva-based International Organization for Migration points out that slow-onset events because of climate change cause displacement, which is a greater contributor to the reasons people migrate. In other words, if the same old industrial world weakens on its resolve to take climate action, it will increase the impoverishment of people already crippled by extreme events and losing ability to cope. We know from our experience in India that migration from villages to cities and beyond is multi-pronged; driven by the loss of ability to cope with economic marginalisation and exacerbated by factors, including weather disasters, losses in livelihoods and, of course, the allure of cities.

We also know that this migration can be reversed by investments in natural capital and wellbeing. Migration has been stemmed in places where village communities have built local economies by rejuvenating water systems to bolster productivity, adopting low-input agriculture and engaging in similar activities. This is the reason India’s national rural employment guarantee programme, which gives minimum wages for 100 days to adults for work on ecological improvement, despite all its flaws, remains the biggest “coping” mechanism for the country. This is where a huge opportunity exists to build resilience and economic opportunities for the future.

But today’s headwinds are against this reversal. Wars are driving people out, poverty is increasing in an inequitable and divided world and climate change impacts are getting worse. We are not acting at the scale and speed needed to reduce greenhouse gas emissions that are tipping us over. This is the cycle of destructive change that we must fight.

Our globalised world is inter-connected and inter-dependent, and we must recognise this. We have learnt through our lived and practiced experience in India that sustainable development is not possible if it is not equitable. Growth has to be affordable and inclusive for it to be sustainable. But all this will not happen, unless we articulate that the environmental challenge is not technocratic but political. We cannot neuter the politics of access, justice and rights and hope to fix the environment or indeed development.

# THE NEW AGENDA

## INCLUSIVE AND AFFORDABLE DEVELOPMENT IS KEY FOR ECONOMIC RESILIENCE AND CLIMATE CHANGE

We know development is the most significant challenge that countries like India face. We know today that this growth should also be inclusive and sustainable. And if we achieve this, we need to hit a sweet spot—our actions to reduce local pollution and to drive green livelihoods will also reduce greenhouse gas emissions. In this way, our Nationally Determined Contribution (NDC), which puts together the package of actions to reduce emissions, would be based on



co-benefits; development, if done right, will also address the urgent crisis of climate change. We know that it is in our interest to achieve this twin goal.

Our countries are most vulnerable to climate change impacts. But if we do development differently, it would help us avoid the pitfalls of marginalising actions designed solely for climate change. It would help us deepen the public acceptability for taking steps that may not be easy or convenient.

India, like many other countries, has to ensure growth. This means providing millions with employment, healthcare, education and housing, and increasing energy supply. This has to be our development priority. But development will require taking action that meets the needs of all. So this calls for a change in strategy. We cannot afford a capital- and resource- intensive pathway that adds to environmental degradation and inequity in society. We have learnt over the past decades that we cannot adopt the western-country approach to first pollute and then clean up. We just do not have the financial wherewithal to keep repairing the damage. We have to reinvent growth and this is what many policies in India have done: they have built inclusive sustainability as an outcome of their development policy.

This is the unique opportunity for countries like India—not to pit development against climate action but to subsume it within policies designed for growth. But this also means that we need to rework growth strategies so that they are inclusive and affordable and so sustainable.

Take the health crisis of air pollution plaguing many of the cities of the Global South. In Delhi, which has the infamous tag of one of the world's most polluted cities, less than 20 per cent own or drive in cars to work. But these vehicle owners take 90 per cent of the road space. The question is, if the demand of just 20 per cent is leading to huge congestion and pollution, where and how can the city find the road and air space for all?. This is where the environmentalism of the poor kicks in. The fact is, if the rich are to breathe clean air, we need to rework mobility for all. We cannot think of adding a few buses, trams, or metros; we need to transform mobility so that it works for the rich and the poor. This means combining affordability and convenience and safety.

The agenda is to redesigning mobility because personal vehicles, however clean, take up road space and add to pollution and congestion and greenhouse gas emissions. The western world has taken the path to subsidise and electrify

personal vehicles, which is leading to disruption in industries as they strive to rework supply chains and re-deploy labour for electric cars. We have the opportunity to think of another route—one that reinvents mobility so that we can move people and not cars. This means investing in electric buses and affordable transport like paratransit and two-wheelers. In this way, India's NDC must be about upscaling and integrating low-carbon public transport, and not just counting electric cars. The policy is driven by cleaning up local air but has the added benefit of combating climate change.

This is also the case with energy. Many households in our world still use biomass to cook food because they are poor. These air pollutants, which are killing poor people, are also contaminating the airshed they share with the rich. So, if we want clean air, we will have to get the rich out of their polluting vehicles, but we will also have to ensure that the poor households get options to move out of dirty fuels. Their energy transition to clean fuel is important for clean air. This is why without inclusive growth, we cannot have sustainability.

It is the same with the hard-to-abate industries. We know from experience that our industry will invest in technology that saves costs and increases competitiveness. The cement industry, for instance, switched to using fly ash, not to decarbonise but to use waste as raw material, substitute limestone, and reduce costs of energy. The future of low-carbon industrialisation lies in similar win-win solutions, such as the reuse of waste materials from iron ore slag to biomass to refuse-derived fuel from municipal garbage—all designed to reduce the use of coal and other fossil fuels and to improve efficiency.

The most contentious is the question of the clean energy transition. A country like India's imperative is to provide electricity to millions for livelihood security. Even today, large numbers of households in the country are burdened by excruciating energy poverty; electricity supply is either unreliable, unavailable or is expensive. People do not have the luxury of switching on lights and women still cook with dirty biomass. Industry is similarly hit, and this is when the cost of energy determines competitiveness. This is also why Indian industry prefers its own electricity generation systems— captive power—using fuels like coal. So, we need strategies for more energy, clean energy, and affordable energy. If we get this transition right, we can move towards low-carbon growth, which will work for us and reduce the emissions that are leading the world towards catastrophe.

This is why the Indian government's 500 GW of clean energy plan by 2030 is

laudable. It has deliberately planned not to replace coal—which today provides 75 per cent of India’s total electricity generation—but to displace coal. Its plan to do this is by increasing the capacity of clean energy sources, including solar and wind, which can generate 44 per cent of the electricity demand by 2030. This would require a more than doubling of clean energy even as India doubles its electricity consumption in this period. The government has been clear on its commitment to move the needle on clean energy transition. We need affordable clean energy and we need new ways to generate it as locally as possible so that the costs and losses of transmission are reduced and distributed growth is possible.

But for all this to happen, we must re-engineer the idea and design of a green economy. We cannot afford mouthing platitudes of green employment, knowing fully well that the renewable energy or electric vehicle transition, per se, does not mean more livelihoods. In fact, recent news shows that thousands of jobs have been lost in the UK because of the shift from blast to electric arc furnaces. This is why we see the pushback in western countries where much has been said without substance and this has prompted people, worried as they are about climate change, to care more about livelihoods. In our world, we must combine the need for economic resilience with the opportunity for more efficient, more clean and more distributed resource management.

We must also invest in local resources that can be used for local livelihoods. If we do this, we can sequester carbon in trees and in soil, build resilience in society, withstand extreme weather shocks and also stem migration. We cannot afford an economy that is driven only by the gross domestic product (GDP), which extracts and exports produce, and not by gross nature product (GNP) that invests in natural resources for livelihoods, locally. Our plan for climate change is the one that works for people and so the Planet. The opportunity is to achieve the co-benefits of inclusive development with sustainability, while staying on the decarbonisation pathways that work for us, the countries of the South.

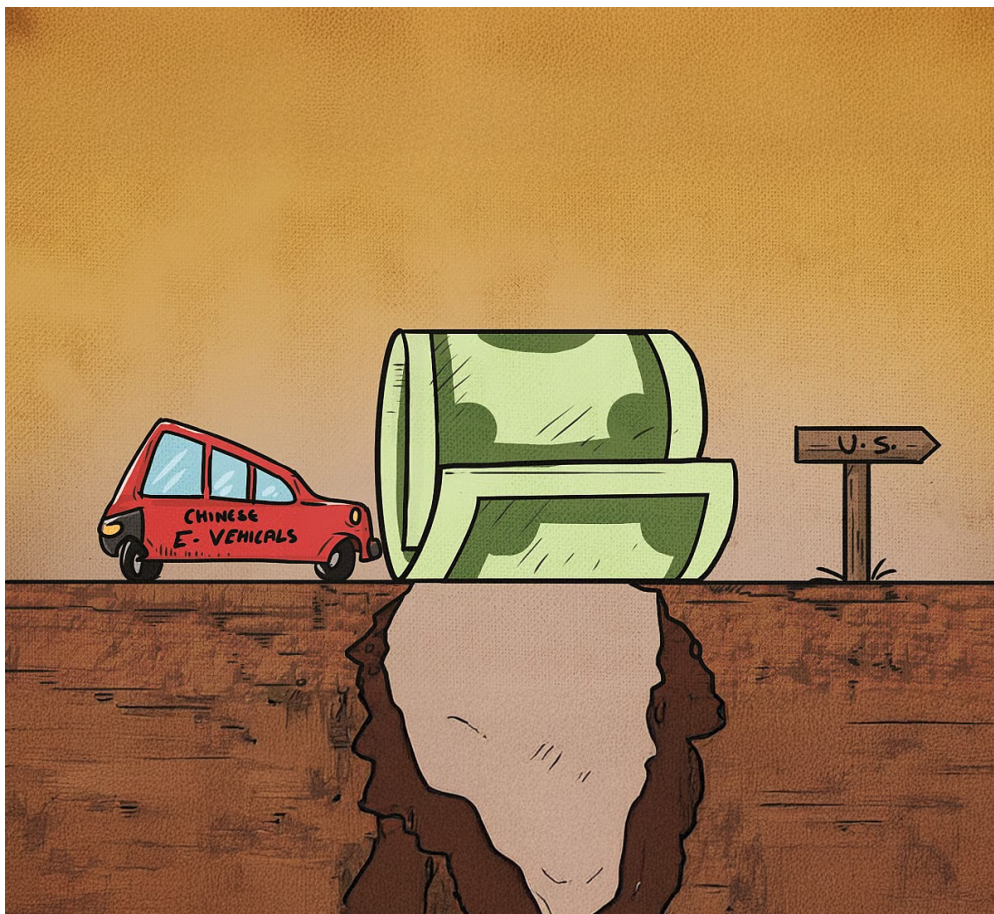


## RESOLVE GEOPOLITICS OF GREEN TECHNOLOGY ADOPTION

For the past many decades the question was if the world had viable, cost-effective technology solutions to make a transition out of fossil fuels. Today, it is clear that renewable energy—solar, wind, and hydroelectric power—can provide a shift and at scale across the world. Similarly, the electric vehicle technology has proven that it can replace the use of fossil fuel, mostly oil or natural gas.

Today, the question is about the near absolute dominance of China in the supply chain of green technology and if this will not disrupt the needed green transition? Already, China's almost total dominance in this sector for the supply chain of rare minerals, batteries and its lead in EV vehicle manufacture has led to other vehicle manufacturing countries to now step back on their ambition to electrify vehicles; subsidies are being removed and plans for phase-out of internal combustion engine cars. The recent move of China to restrict the global trade of rare minerals will further spook this green transition.

This is the mother of all questions: will electric vehicles and solar energy accelerate or brake given this global trade and economic divide? This question is



also important because we need to have an economic stake in the green transition, which requires domestic manufacturing and job creation. For instance, the vehicle industry has traditionally been the backbone of manufacturing and jobs in many countries. According to data from the European Commission, the automotive industry provides jobs to some 13.8 million Europeans<sup>271</sup>; directly employing 2.6 million people, which is 8.5 per cent of the employment in manufacturing. But this is now in jeopardy. In 2025, German car major Volkswagen announced that it plans to shut down two of its manufacturing plants in the country, which puts jobs at risk and has led to a political furore.

The western car industry is finding it difficult to compete in terms of costs with its Chinese counterparts. European e-vehicles are still more expensive as compared to the petrol variants; and now as more countries seek to withdraw subsidies and incentives for these green vehicles, will it reduce the choice of car owners to buy the new electric vehicle.

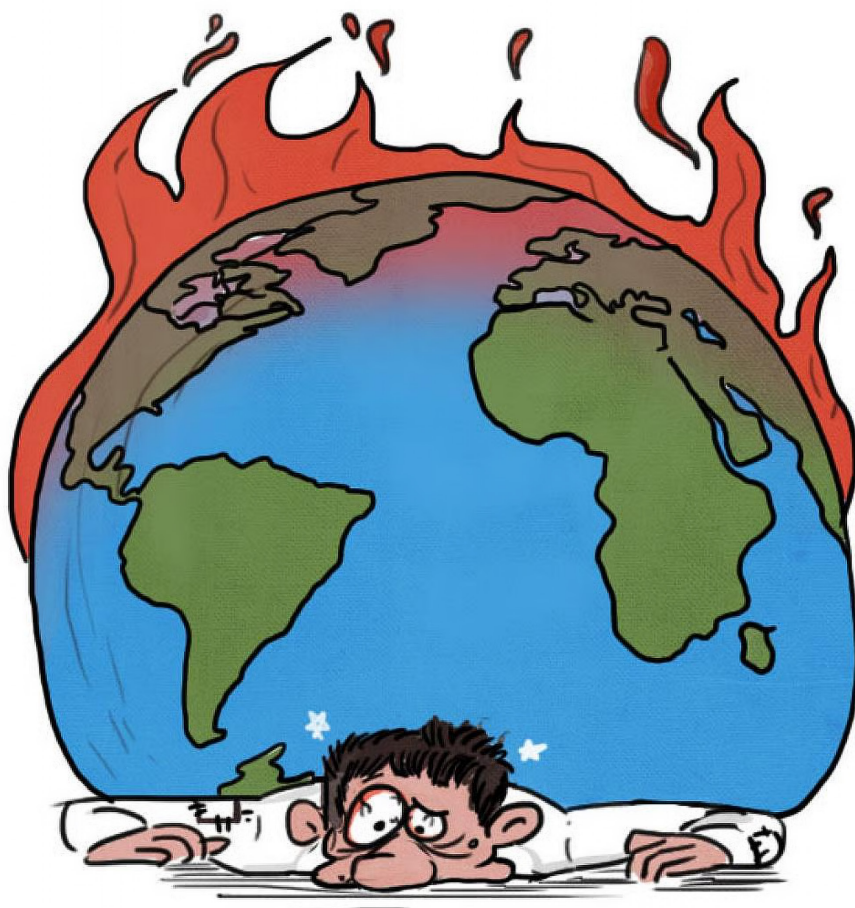
It is the same in India. We have decided—and rightly so—that we must invest in local capacity for solar industry. The Indian government has announced fiscal incentives for solar cell and module manufacturing and imposed higher import duties on Chinese products. It is difficult to say, as yet, if this will impede India's ambitious renewable programme, as domestic production may not be able to keep pace or be cost-competitive. On the other hand, there is an obvious advantage in building our industry, but with the stranglehold of China on the material value-chain the question is if this is at all possible?

But this said, China also has the vested interest in making this transition happen as it has invested in green technology and has capacity to supply to the world. It needs a green marketplace. The question is how the world will get split and which side will win? The group of countries that are vested into 'older' technology and fossil fuels or the world that can now invest in emerging 'new' greener technology and make the transition happen? This has to do with the ultimate question of finance; new markets will come when there is economic growth and money to invest and for people to consume electricity and cars.

## RESET TRADE AND FINANCE RULES FOR LOCALISATION THROUGH VALUE ADDITION

Today our world is being battered by extreme weather events because of climate change. It is also equally clear that the burden of these devastations is disproportionate — they hit the poor in the poorest countries hardest. Climate finance is not just payment or reparations needed to mitigate and adapt to these disproportionate impacts of climate change. It is also about providing finances for the transition that these countries still need, to develop. They need to develop differently, so that they can grow without adding as much to the stock of emissions that will further jeopardise our common existence.

This is why climate justice—as enshrined in the 1992 UN Framework Convention on Climate Change (UNFCCC)—matters so much. It was agreed that countries responsible for the stock of emissions in the atmosphere (historical polluters) would need to reduce emissions. It was also agreed that the rest of the world, which had the right to development, would be provided with the finance and technology to grow sustainably. However, over the past



30 years, the world has convened countless conferences only with the intention of diluting and erasing this principle. But the issue of equity, like the changing climate, will not go away.

Today, 70 per cent of the world's population has still not secured development in terms of energy or other essentials needed for their well-being. Meanwhile, the world has practically run out of the carbon budget to limit warming to below the guardrail of 1.5C above the pre-industrial period. It is also clear now that what is being provided as climate finance is a fraction of what is needed for securing a different development future in our world. So, we need to find the money and we need to do this fast.

But this is not all. We also need to discuss structural issues that underpin the vast inequities in the world, which make it certain that countries in the global South cannot afford the price of adaptation or mitigation. We know that the quantum of money called climate finance is inadequate. We know that there is no agreed definition of what the world means by climate finance, and this allows for much creative accounting. But what we do not know, or discuss, is that whatever is being given in the name of climate finance is not concessional—roughly 5 per cent is grants, and the rest is loans or equity.

It is also then no surprise that what is termed as climate finance is not going to the countries where it is needed most. It is no surprise because these funds go where there is opportunity to make money; where there is (at least perceived) less risk in the financial market stability; and so where the cost of finance is lower. The cost of finance (interest rates) to, say, set up a solar plant, would be 2--5 per cent in Europe; 12-14 per cent in Brazil; and as high as 20 per cent in some African countries. This would make the plant unfeasible in African countries.

Worse, if this money goes to Africa in the form of loans—as it invariably does, with high interest rates—it would only add to their problem of repayment of loans. Countries cannot afford to default on a loan as that makes their credit ratings worse. But climate change will make it worse because the most vulnerable countries are also the ones with high debt burden.

Every climate change disaster takes these countries to greater indebtedness as they borrow to survive and rebuild. These same countries are then stamped with poor credit ratings, which make their cost of borrowing and capital even



higher. It is critical that there is an assessment of the bias of the global rating system, which determine these rates of credit.

As a result, the most vulnerable countries, which also need funding for climate mitigation, have a crushingly high debt burden—the money they pay in annual interest is as high as 16 per cent of their governmental revenue in 2023. The International Monetary Fund 2025 World Economic Outlook tagline of “global economy in flux, prospects remain dim” captures the mood. But its real kicker comes from its data that shows that for post 2000, for the very first time the world’s poorest and most vulnerable countries are paying more to service debt than they are getting as official development assistance.

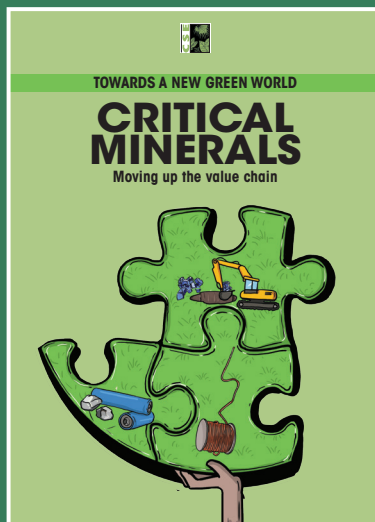
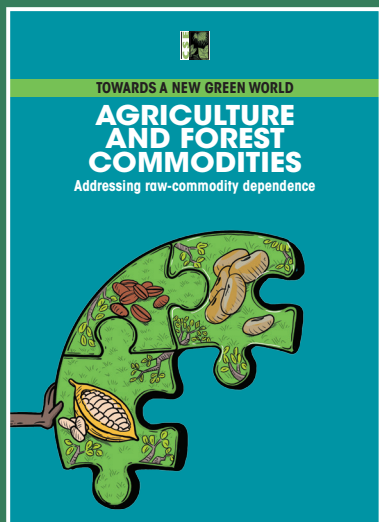
So, we can no longer talk about small changes, or about short-changing the poor. This is key if the transition to the cleaner and more secure world has to succeed.

Then there is the question of global trade. The current system as we know has been designed to get cheaper goods and products. This has meant that countries extract more to earn the same revenue – it discounts the cost of environment, labour and even land. Farmers cannot invest in improving their land and water resources as they are driven by making ends meet – worse, in this system design they get a small percentage of the value of the final produce. For instance, in the current trading model, countries face higher tariffs on commodities and produce—like coffee or cocoa—when they have added value to it. It is estimated that farmers in Africa earn less than 6 per cent of the total revenue of the finished good of chocolate. This needs to change.

So now that this globalization model is being re-worked, there is an opportunity to rethink these rules so that distributed local-led production system can become the basis of green industrialization through the localization of the economy. This then would be the foundations of the new modern economic growth – resilient communities which are then able to withstand climate shocks. Resilient local economies to build new green futures. This also puts more money in the hands of the poorest, who can then invest in improving their environment and invest in the great leapfrog—jumping to clean energy systems without going through the fossil fuel route.

This is the big agenda in this big churn so that it can lead to a better tomorrow: more resilient, more inclusive and more sustainable.





**We need to reinvent the climate agenda for the Global South. Calling for decarbonisation without economic resilience is no longer viable.**

In the subsequent three papers we have traced the Global South's path through the green transition—from dependence on low-value agricultural exports, to the geopolitics of critical minerals, and finally to the challenge of clean-technology manufacturing. These are three strategic sectors, among others, in which structural inequities in global trade and finance regimes trap developing countries at the raw-material stage while advanced economies capture value through processing and innovation.

Through these papers we call for green industrialization rooted in diversification, localisation, strategic resource control, and reform of global trade rules.

Collectively, the papers explore pathways towards equitable climate-compatible development that strengthens autonomy, economic resilience, and value capture in the Global South.



**Centre for Science and Environment**

41, Tughlakabad Institutional Area, New Delhi 110 062

Phone: 91-11-40616000 Fax: 91-11-29955879

E-mail: [cse@cseindia.org](mailto:cse@cseindia.org) Website: [www.cseindia.org](http://www.cseindia.org)